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FM AMEMBASSY LIMA
TO RUEHC/SECSTATE WASHDC 9156
RUEATRS/DEPT OF TREASURY WASHDC
INFO RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS LIMA 000990

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STATE FOR INL, WHA/AND, WHA/EPSC AND EB/IFD/OIA
STATE PASS AID (LAC/SA)
TREASURY FOR G. SIGNORELLI
COMMERCE FOR 4331/MAC/WH/MCAMERON

SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [EINV](#) [SOCI](#) [PGOV](#) [PE](#)
SUBJECT: PERU: ANTICORRUPTION AND GOOD GOVERNANCE REPORT

REF: STATE 30961

11. (U) Responding to reftel, Embassy Lima submits the following information for the International Anticorruption and Good Governance Act Report.

Context

12. (U) Corruption is a serious problem in Peru, and the Government in the last several years has begun to take initiatives to combat it. Peru became a pilot country for the G-8 anti-corruption initiative and has recently started to confront corruption in areas such as money laundering. Peru has also taken serious steps to transfer funds and responsibilities to the regional and local governments, guarding against malfeasance.

13. (U) At the same time, the Government of Peru has made little or no progress in key areas. Both the National Anticorruption Plan and the National Anticorruption Commission are essentially dormant. Trials have been moving forward very slowly, with 217 trials for corruption by the anti-corruption courts, but only 24 sentences have been issued. About half of the cases are still in the discovery phase.

GOP Actions

14. (U) "Major actions taken by the host government to combat corruption and improve transparency and accountability."

15. (U) In 2004, the Government of Peru stepped forward to accept the challenge of the G-8 countries to join a pilot program and develop an action plan and project matrix to combat corruption, increase transparency and enhance the government procurement process. The six projects in the GOP matrix, with 36 project components, were focused on promoting transparency and strengthening the government procurement process. Many, but not all, of the projects received funding. The Government of Peru used its own funds for a number of the unfunded projects. During 2005, the government completed or made substantial progress on nearly all the projects in its matrix. The more substantial projects included designing and launching an e-government electronic payment system, standardizing governmental accounting, budgetary and financial processes, and training local government procurement officials (a USAID project).

16. (U) The Government of Peru launched an effort to increase transparency and reduce the number of procedures needed to

start a small business by consolidating forms, eliminating redundancies and posting all the forms and processes on a government website. Peru intends to do the same with the most common processes and procedures affecting the public. To improve accountability, the Peruvian Congress established an Ethics Committee (with assistance from USAID programs) in 2005, and it suspended two congressmen for improper conduct.

USG-Funded Projects

¶7. (U) "All USG-funded programs and initiatives to combat corruption and improve transparency and accountability within the host country, especially those focusing on law enforcement and legal systems and transparent governance and civil society."

Law Enforcement and Legal Systems

¶8. (U) The USG has provided considerable assistance to combat corruption and improve transparency and accountability in Peru. The State Department's Narcotics Affairs Section (NAS) funded a two-year contract for a Treasury Department advisor to help establish Peru's Financial Investigative Unit (FIU) and equip the FIU with a computer and security system. The Department of Treasury's Office of Technical Assistance (OTA) provided \$50,000 to the Peruvian National Police for computers. The Drug Enforcement Agency and NAS are working closely with the Peruvian National Police Financial Investigation Division (DINFI) on money laundering cases.

¶9. (U) The NAS-funded Treasury advisor assisted the Ministry of Foreign Trade and Tourism (MINCETUR) with preparation of a draft law to better control the gaming industry to prevent its use in money laundering and terrorist financing. An OTA advisor gave a presentation on regulation of the gaming industry to more than 100 representatives of the Prosecutors Office. OTA worked with Peruvian Customs to provide a two-week training program on detecting and interdicting illegal and undeclared bulk cash shipments. FinCEN funded the travel and lodging for three Peruvian participants for a one-week money laundering training program in Vienna, Virginia; OTA funded an additional two participants.

Transparent Government

¶10. (U) USAID in Peru is administering or has completed a number of programs specifically focused on promoting transparency, public participation and combating corruption. Working with the state contracting agency, CONSUCODE, one program aims to promote transparency in government procurement at the local level. CONSUCODE provided training to local government contracting officers, civil society, and entrepreneurs to ensure clear understanding of government contracting rules. At the same time, CONSUCODE also trained local citizen oversight organizations, composed of representatives from stakeholder groups, to keep an eye on local bidding processes.

¶11. (U) The USG also provided assistance to regional and local governments through its Pro-Decentralization (PRODES) program. The program provided technical assistance to regional and municipal governments in such areas as participatory budgeting and planning, accountability procedures, government transparency, and the national government financial administration system (SIAF) and public investment system (SNIP). The decentralization program also supported municipal connectivity for twelve local governments, giving them access to the SIAF and SNIP, and providing citizens the opportunity to access public information about their local governments. This effort has been complemented by a project with the Ombudsman Office (Defensoria del Pueblo), whose responsibility it is to promote good governance and access to public information and ensure appropriate use of public resources and government

neutrality in the provision of public services.

¶12. (U) In the justice sector, the USG provided technical assistance to modernize the justice sector and improve judicial processes, including strengthening internal oversight mechanisms and direct assistance to the anti-corruption commission.

Civil Society

¶13. (U) USAID supported three civil society groups, one each in the areas of justice reform, decentralization, and congressional reform. Each consortium aimed to promote citizen participation, access to information and government oversight of reform processes in each sector. Each consortium published regular bulletins on the performance of government institutions and their relative success meeting standards of transparency, access to information, integrity and ethics, and accountability.

Diplomatic Efforts

¶14. (U) "All U.S. diplomatic efforts relating to anticorruption within the past year"

Assisting Peru in fighting corruption has been a top priority of Embassy Lima. The Ambassador frequently raises corruption issues with Peruvian officials at the highest levels. The Embassy requested the assignment of an economic officer from the Department to work primarily on corruption issues, including Peru's participation in the G-8 anti-corruption initiative. The Embassy also assisted the GOP in organizing two roundtables on anticorruption with Peruvian government agencies and the G-8 and NGO donors. The Ambassador co-chaired one of those meetings.

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